

COWBOY FACILITIES, INC.
Lake Charles, Louisiana

Annual Financial Report
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cowboy Facilities, Inc.
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying statements of Cowboy Facilities, Inc., (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cowboy Facilities, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 21, 2014, on my consideration of Cowboy Facilities, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cowboy Facilities, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
August 21, 2014

Cowboy Facilities, Inc.
Lake Charles, Louisiana
Statement of Financial Position
June 30, 2014

Assets

Current Restricted Assets (Construction and Revenue Bonds)

Cash	\$ 5,659,061
Total Current Assets	<u>5,659,061</u>

Property, Plant and Equipment

Buildings and improvements	28,666,228
Land improvements	855,962
Furniture, fixtures and equipment	3,260,095
Accumulated depreciation	<u>(9,820,227)</u>
Total Property, Plant and Equipment	<u>22,962,058</u>

Other Assets

Deferred financing costs	<u>853,325</u>
Total Other Assets	<u>853,325</u>

Total Assets	<u>\$ 29,474,444</u>
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Liabilities and Net Assets

Liabilities

Current Liabilities (payable from restricted assets)

Current portion of revenue bonds payable (net of premium, discount and deferred loss)	\$ 1,130,000
Accrued liabilities	<u>329,138</u>
Total Current Liabilities (payable from restricted assets)	<u>1,459,138</u>

Long Term Liabilities

Revenue bonds payable (net of premium, discount and deferred loss)	<u>28,565,508</u>
Total Long Term Liabilities	<u>28,565,508</u>

Total Liabilities	<u>30,024,646</u>
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Net Assets

Restricted for debt service and construction	4,199,923
Unrestricted	<u>(4,750,125)</u>
Total Net Assets (Deficit)	<u>(550,202)</u>

Total Liabilities and Net Assets	<u>\$ 29,474,444</u>
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The accompanying notes are an integral part of this statement.

Cowboy Facilities, Inc.
Lake Charles, Louisiana
Statement of Activities
For the Year Ended June 30, 2014

Unrestricted Net Assets:

Revenues and Other Support:

Rental income - facilities	\$ 3,202,000
Scoreboard revenues	261,200
Parking fees	877,475
Interest income	465
Transfers from University	<u>89,952</u>

Total Unrestricted Revenues and Other Support	<u>4,431,092</u>
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Expenses:

Management and operating expenses - facilities	1,381,790
Scoreboard maintenance expense	14,395
Depreciation expense	1,023,152
Amortization expense	63,939
Interest expense	<u>1,447,237</u>

Total Operating Expenses	<u>3,930,513</u>
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Increase (Decrease) in Unrestricted Net Assets	<u>500,579</u>
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Net Assets (Deficit)- Beginning of Period	<u>(1,050,781)</u>
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Net Assets (Deficit) - End of Period	<u>\$ (550,202)</u>
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The accompanying notes are an integral part of this statement.

Cowboy Facilities, Inc.
Lake Charles, Louisiana
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Change in Net Assets	\$ 500,579
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	1,087,091
Increase (decrease) in accrued interest payable	(7,487)
Other	<u>1</u>
Total Adjustments	<u>1,079,605</u>
Net cash provided by (used in) operating activities	<u>1,580,184</u>
 Cash Flows from Capital and Related Financing Activities:	
Principal payments on bonds	(1,095,000)
Capital expenditures	(547,199)
Accretion of bond premium	(4,465)
Amortization of deferred loss	69,119
Amortization of bond discount	<u>3,428</u>
Net Cash (Used) by Financing Activities	<u>(1,574,117)</u>
 Net increase (decrease) in cash and cash equivalents	 6,067
Cash and Cash Equivalents at Beginning of Year	<u>5,652,994</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>5,659,061</u></u>
 Supplemental Information	
Cash paid for interest	\$ <u><u>1,386,644</u></u>

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2014

Note 1 -Summary of Significant Accounting Policies

The financial statements of Cowboy Facilities, Inc. (the Corporation) have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

Organization

Cowboy Facilities, Inc. is a Louisiana nonprofit corporation created exclusively to promote, assist, and benefit the educational, scientific, research, and public service mission of McNeese State University by engaging in any lawful activity in which a nonprofit corporation meeting the requirements of Section 501 (c)(3) of the Internal Revenue Code may participate. The Corporation has not applied for a determination letter from the Internal Revenue Service regarding its status as a 501 (c)(3) corporation.

The business affairs of the Corporation are administered by a five member Board of Directors, who also comprise the entire membership of the Corporation. The Board of Directors serve without compensation.

In accordance with its Articles of Incorporation, the Corporation may specifically engage in acquiring, constructing, developing, managing, leasing, mortgaging or conveying student housing and other facilities on the campus of the University.

The entity is a component unit of McNeese State University. A component unit is defined as a legally separate organization for which the primary government (McNeese State University) is financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2014

Note 1 -Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for buildings and improvements in excess of \$100,000 and moveable furniture and equipment in excess of \$5,000. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30 - 40
Furniture, fixtures and equipment	10 - 20

Financial Statement Preparation

The Corporation has adopted Financial Accounting Standards FASB ASC 958-210-45, formally (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under this standard, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

Contributions

The Corporation has also adopted FASB ASC 958-605-20, formally, SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Deferred Financing Costs

The cost of issuing revenue bonds is deferred and amortized over the life of the bonds as a financing expense.

Bond Amortization Costs

Bond premium, discount, and issuance costs are amortized over the life of the bonds using the interest method. Some of these costs are capitalized as noted previously. Also, in accordance with FASB Codification 835-30-45, *Other Presentation Matters*, the difference between the reacquisition price and the net carrying amount of refunded debt is being amortized over the shorter of the life of the old debt or the life of the new debt using the interest method.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2014

Note 2 -Facilities Lease Agreement

As of May, 2001, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities of the Corporation effective as of the date of completion of the construction. The Board agrees to pay the Base Rental semiannually, on each April 15 and October 15 during the term of the lease in an amount equal to the interest and principal due on the Revenue Bonds on the following May or November 1, as the case may be. In addition to the Base Rental, the Board agrees to pay as Additional Rental any and all expenses incurred by the Corporation, on behalf of the Board or University in the management, operation, ownership, and/or maintenance of the Facilities.

As of April, 2005, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities (Scoreboard Improvements). The Board agrees to pay the Rental semiannually, on each March 15 and September 15 during the term of the lease in an amount equal to the interest and principal due on the Series 2005 Bonds on the following October 1 or April 1, as the case may be. Also, annually on April 15 in each year commencing April 15, 2006, an amount equal to \$30,000 shall be deposited in the Reserve Fund. In addition to the Rental, the Board agrees to pay any and all expenses incurred by the Corporation, on behalf of the Board or University in the maintenance, operation, ownership, and/or maintenance of the Facilities.

As of December, 2011, the Corporation entered into an agreement with the Board of Supervisors for the University of Louisiana System on behalf of McNeese State University to lease to the Board the Facilities of the Corporation effective as of the date of completion of the construction. The Board agrees to pay the Base Rental semiannually, on each February 15 and August 15 during the term of the lease in an amount equal to the interest and principal due on the Revenue Bonds on the following March or September 1, as the case may be. In addition to the Base Rental, the Board agrees to pay as Additional Rental any and all expenses incurred by the Corporation, on behalf of the Board or University in the management, operation, ownership, and/or maintenance of the Facilities.

Note 3 -Long-Term Debt

On May 31, 2001, Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing of the construction of student housing facilities on the campus of McNeese State University. Financing of the project is through the issuance of \$21,120,000 University Student Lease Revenue Bonds, Series 2001. As of December 1, 2011, Cowboy Facilities, Inc. entered into the First Supplemental Loan Agreement with the Calcasieu Parish Public Trust Authority to issue \$18,655,000 University Student Lease Revenue Refunding Bonds, Series 2011 for the purpose of refunding the Series 2001 bonds; paying premiums, funding debt service and maintenance reserve funds; and costs of issuance of the Series 2011 Bonds, including the premium for the Bond Insurance Policy. The Series 2011 Revenue Refunding Bonds have interest rates varying from 2.00% to 5.00% in varying installments through 2033.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2014

Note 3 -Long-Term Debt (continued)

On April 1, 2005, the Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Trust Authority to obtain financing of the construction of scoreboard improvements at various athletic locations on the campus of McNeese State University. Financing of the project is through the issuance of \$1,900,000 McNeese State University – Cowboy Facilities, Inc. Scoreboard Project Taxable Revenue Bonds. The Bonds have a yearly fixed rate of interest at 6.5% and are due in varying installments through 2015.

On December 1, 2011, the Cowboy Facilities, Inc. entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority for the purpose of issuing \$13,850,000 in McNeese State University Student Parking – Cowboy Facilities, Inc. Project Series 2011 bonds. The purpose of which is to finance the cost of the construction and equipping of student parking; funding Debt Service Reserve funds; and paying costs of issuance of the Bonds, including the premium for the bond insurance policy. The Bonds have interest rates from 2.00% to 5.00% due in varying installments through 2042.

Scheduled sinking fund requirement on the long-term debt are as follows:

2015	\$1,130,000
2016	905,000
2017	935,000
2018	965,000
2019	1,005,000
Thereafter	<u>25,705,000</u>
 Total long-term debt	 <u>\$30,645,000</u>

Scheduled annual debt service:

Year	Principal	Interest
2015	1,130,000	1,354,394
2016	905,000	1,311,744
2017	935,000	1,284,594
2018	965,000	1,256,544
2019	1,005,000	1,217,944
2020-2024	5,660,000	5,457,996
2025-2029	6,940,000	4,195,222
2030-2034	7,415,000	2,378,318
2035-2039	3,300,000	1,082,854
2040-2042	<u>2,390,000</u>	<u>236,680</u>
	<u>\$30,645,000</u>	<u>\$19,776,290</u>

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2014

Note 3 - Long-Term Debt (continued)

Reconciliation of bonds payable:

	<i>June 30, 2014</i>	<i>Bond Premium</i>		<i>June 30, 2014</i>
	<u>Bonds Payable</u>	<u>(Discount)</u>	<u>Deferred Loss</u>	<u>Net Balance</u>
Series 2011 Refunding Bonds	\$16,955,000	\$67,491	(\$936,661)	\$16,085,830
Series 2011 Parking Bonds	13,440,000	(80,322)	-0-	13,359,678
Series 2005 Scoreboard Bonds	250,000	-0-	-0-	250,000
	<u>\$30,645,000</u>	<u>\$(12,831)</u>	<u>(\$936,661)</u>	<u>\$29,695,508</u>

Note 4 – Cash and Cash Equivalents

In accordance with GASB, cash equivalent money market accounts is not categorized as subject to credit risk as provided by GASB because the investment and/or cash equivalent is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Also, the Corporation does not have a policy for custodial credit or interest rate risk.

Note 5 – Fair Values of Financial Instruments

The Corporation has a number of financial instruments, none of which is held for trading purposes. The Corporation estimates that the fair value of all financial instruments at June 30, 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Corporation using available market information and appropriate valuation methodologies. The recorded values of cash and cash equivalents, and accrued liabilities approximate their fair values based on their short-term nature. The recorded values of bonds payable approximate their fair value, as interest rates approximate market rates.

Note 6 – Subsequent Events

The Corporation evaluated its June 30, 2014 financial statements for subsequent events through August 21, 2014, the date the financial statements were available to be issued. The Corporation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Cowboy Facilities, Inc.
Lake Charles, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cowboy Facilities, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated August 21, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Cowboy Facilities, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cowboy Facilities, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Cowboy Facilities, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Cowboy Facilities, Inc.
Lake Charles, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cowboy Facilities, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
August 21, 2014

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Schedule of Findings
June 30, 2014

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on the financial statements.
2. Significant deficiencies or material weaknesses in internal control – Refer to B-1.
3. No instances of noncompliance noted.

B. GAGAS Findings

1. None.

C. Prior Audit Findings

1. None